

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains the resolutions to be voted on at a General Meeting of the Company to be held on 5 November 2008. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser who is authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document and the accompanying Form of Proxy for use in relation to the General Meeting as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred some of your Ordinary Shares, you should consult with the stockbroker, bank or other agent through whom the sale or transfer was effected.

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## **PROTON POWER SYSTEMS PLC**

*(Incorporated and registered in England and Wales with registered number 05700614)*

### **Subscription of 20,600,000 new Ordinary Shares of 5 pence each at 10 pence per Ordinary Share**

**and**

### **Authorities to Issue Securities**

### **Notice of General Meeting**

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**Your attention is drawn to the letter from the Executive Chairman of the Company, which is set out on pages 5 to 9 of this document, which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below.**

Notice of a General Meeting of Proton Power Systems plc, to be held at 12.00 noon on 5 November 2008 at the offices of Arbuthnot Securities Limited, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR, is set out at the end of this document. The accompanying Form of Proxy for use in connection with the General Meeting should be completed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars, Proxy Department, P.O. Box 25, Beckenham, Kent BR3 4BR by not later than 12.00 noon on 3 November 2008. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

Arbuthnot Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority (the "FSA"), is acting as nominated adviser and broker to the Company. The responsibilities of Arbuthnot Securities Limited as the Company's nominated adviser and broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director, shareholder or any other person, in respect of his decision to acquire shares in the Company in reliance on any part of this document, or otherwise. Arbuthnot Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document. Arbuthnot Securities Limited will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Subscription or any acquisition of shares in the Company.

This document does not constitute or form part of any offer or instruction to purchase, subscribe for or sell any shares or other securities in the Company nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefor.

The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document and/or the accompanying Form of Proxy comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

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## SUBSCRIPTION STATISTICS

|   |                |
|---|----------------|
| Subscription Price  | 10p            |
| Number of existing Ordinary Shares, including the Initial Subscription Shares, currently in issue                                 | 71,390,863     |
| Number of Second Subscription Shares proposed to be issued by the Company   | 10,000,000     |
| Number of Turquoise Shares proposed to be issued by the Company   | 600,000        |
| Gross proceeds receivable by the Company from the Subscription and the Turquoise Shares   | £2.06 million  |
| Number of Ordinary Shares in issue following Admission of the Second Subscription Shares and the Turquoise Shares                 | 81,990,863     |
| Initial Subscription Shares, Second Subscription Shares and Turquoise Shares as a percentage of the Enlarged Issued Share Capital | 25.1 per cent. |

## EXPECTED TIMETABLE OF EVENTS

|  |                               |
|--|-------------------------------|
| Latest time and date for receipt of completed Forms of Proxy | 12.00 noon on 3 November 2008 |
| General Meeting  | 12.00 noon on 5 November 2008 |

## DEFINITIONS

The following definitions apply throughout this document and the Form of Proxy, unless the context requires otherwise:

|                               |   |
|-------------------------------|---|
| “Act”                         | the Companies Act 1985, as amended  |
| “Admission”                   | the admission of Ordinary Shares to trading on AIM becoming effective   |
| “AIM”                         | the AIM market of the London Stock Exchange   |
| “AIM Rules”                   | the AIM Rules for Companies and the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time   |
| “Arbuthnot”                   | Arbuthnot Securities Limited, the Company’s nominated adviser and broker  |
| “Board” or “Directors”        | the board of directors of Proton  |
| “City Code”                   | the City Code on Takeovers and Mergers  |
| “Enlarged Share Capital”      | the 81,990,863 Ordinary Shares in issue immediately following allotment of the Second Subscription Shares and the Turquoise Shares  |
| “Form of Proxy”               | the accompanying Form of Proxy for use by Shareholders in relation to the General Meeting   |
| “General Meeting” or “GM”     | the General Meeting of the Company convened for 12.00 noon on 5 November 2008 (or any adjournment thereof)  |
| “Group”                       | Proton and its subsidiaries   |
| “Independent Directors”       | the Directors with the exclusion of Dr Faiz Nahab, who is connected to Roundstone Properties, and Thomas Melczer, who has been appointed to the Board as a representative of Roundstone Properties          |
| “Initial Subscription Shares” | the 10,000,000 Ordinary Shares which have been allotted to Roundstone Properties at the Subscription Price pursuant to the authorities granted at the Company’s annual general meeting held on 22 July 2008 |
| “London Stock Exchange”       | London Stock Exchange plc   |
| “Notice of General Meeting”   | the notice of General Meeting, set out at the end of this document  |
| “Ordinary Shares”             | ordinary shares of 5 pence each in the capital of the Company   |
| “Proton” or the “Company”     | Proton Power Systems plc, a company incorporated in England and Wales with registered number 05700614 and having its registered office at St Ann’s Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX         |
| “Resolutions”                 | the resolutions numbered 1 to 7 set out in the Notice of General Meeting  |
| “Roundstone Properties”       | Roundstone Properties Limited, a company connected to Dr. Faiz Nahab, a non-executive Director of the Company   |

|                              |   |
|------------------------------|---|
| “Second Subscription”        | the proposed subscription to be undertaken by the Subscriber of the Second Subscription Shares at the Subscription Price                                |
| “Second Subscription Shares” | the 10,000,000 Ordinary Shares which Roundstone Properties has indicated its intention to subscribe for at the Subscription Price                       |
| “Shareholders”               | the persons who are registered as the holders of Ordinary Shares from time to time  |
| “Subscriber”                 | Roundstone Properties   |
| “Subscription”               | the subscription by the Subscriber of the Initial Subscription Shares and the proposed subscription by the Subscriber of the Second Subscription Shares |
| “Subscription Price”         | 10p per Subscription Share  |
| “Subscription Shares”        | together the Initial Subscription Shares and the Second Subscription Shares   |
| “Turquoise”                  | Turquoise International Limited, a company connected with Ali Naini, one of the Directors   |
| “Turquoise Shares”           | the 600,000 Ordinary Shares which are proposed to be issued to Turquoise  |
| “UK”                         | the United Kingdom of Great Britain and Northern Ireland  |
| “UPS”                        | Uninterruptible Power Supply  |

# LETTER FROM THE EXECUTIVE CHAIRMAN OF THE COMPANY

## PROTON POWER SYSTEMS PLC

*(Incorporated and registered in England and Wales with registered number 05700614)*

*Directors:*

John Wall (*Executive Chairman*)  
Ali Naini (*Non-executive Deputy Chairman*)  
Thomas Melczer (*Chief Executive Officer*)  
Achim Loecher (*Financial Director*)  
Benedikt Eska (*Chief Operating Officer*)  
Per Erland Svantesson (*Non-executive Director*)  
Dr Faiz Nahab (*Non-executive Director*)

*Registered Office:*

St Ann's Wharf  
112 Quayside  
Newcastle upon Tyne  
NE99 1SB

13 October 2008

*To the holders of Ordinary Shares and, for information only, to the holders of options over Ordinary Shares*

Dear Shareholder,

**Subscription of 20,600,000 new Ordinary Shares of 5 pence each at 10 pence per Ordinary Share,  
Authorities to Issue Securities and Notice of General Meeting**

### **1. Introduction**

On 25 September 2008, Proton announced its intention to raise £2 million by way of an equity fundraising of 20,000,000 new Ordinary Shares at 10 pence each; it also announced that it was intended that the equity fundraising would be subscribed for by Roundstone Properties, a company connected to Dr Faiz Nahab, a non-executive director of the Company.

Pursuant to the authorities granted at the Company's annual general meeting held on 22 July 2008, the 10,000,000 Initial Subscription Shares have been allotted to Roundstone Properties at 10 pence each and were admitted to trading on AIM on 10 October 2008.

In addition, Roundstone Properties has indicated its intention to subscribe for the further 10,000,000 Second Subscription Shares at 10 pence each. This further subscription requires the passing of certain of the Resolutions contained in the Notice of General Meeting set out at the end of this document.

On 6 October 2008, Proton announced that it had agreed on 3 October 2008 to issue 600,000 new Ordinary Shares at 10 pence each to Turquoise International Limited, of which Ali Naini, a director of the Company, is Managing Director and a major shareholder. The issue of these shares is subject to the passing of resolutions 2 and 4 at the General Meeting.

The Directors are also seeking shareholder approval for an increase in the authorised share capital and the authority to allot shares and to disapply statutory pre-emption rights for up to a maximum of 20,000,000 Ordinary Shares, in addition to the Initial Subscription Shares, the Second Subscription Shares and the Turquoise Shares. The Directors believe that it is important that they retain the flexibility to issue additional equity in the Company should it be appropriate to do so. This would also enable any other Shareholders and investors to invest alongside Roundstone Properties and Turquoise should they wish to do so.

Shareholders should note that, notwithstanding the Subscription and the issue of the Turquoise Shares, it is likely that the Company will not have sufficient funds to fully execute its strategy and the Board will have to pursue further sources of funding in due course.

The Board expects that the net proceeds of the Subscription and the issue of the Turquoise Shares will be used to fund the move into the stationary UPS sector, the commencement of industrialised production and the anticipated connected working capital requirements.

In order to enable the Second Subscription and the issue of the Turquoise Shares to take place, it will be necessary for the Shareholders to agree to grant the Board authority to disapply statutory pre-emption rights which would otherwise apply to the allotment of the Second Subscription Shares and the Turquoise Shares. The Company proposes to seek Admission of the Second Subscription Shares and the Turquoise Shares to trading on AIM.

The Company has received irrevocable undertakings to vote in favour of the Resolutions from certain Directors and Roundstone Properties for their aggregated holding of 29,080,409<sup>1</sup> Ordinary Shares representing approximately 40.7 per cent. of the existing issued share capital of the Company<sup>1</sup>.

**The purpose of this document is to explain the background to and reasons for the Subscription and the issue of the Turquoise Shares, to explain why the Independent Directors consider the Second Subscription, the increase in the authorised share capital and the granting of authorities to allot and to disapply statutory pre-emption rights for the Second Subscription Shares and an additional 20,000,000 Ordinary Shares to be in the best interests of the Company and its Shareholders and why the Independent Directors unanimously recommend that you vote in favour of the Resolutions (other than resolutions 2 and 4) to be proposed at the General Meeting, notice of which is set out at the end of this document. The document also explains why the Directors (other than Ali Naini) unanimously recommend that you vote in favour of resolutions 2 and 4 which relate to the issue of the Turquoise Shares.**

## **2. Background to and reasons for the Subscription and issue of the Turquoise Shares**

### *Operational background and recent developments*

The Group is a developer and manufacturer of fuel cells and fuel cell hybrid systems for motive and stationary power supply. The Group specialises in high power systems in the 5kW to 150kW range which are capable of powering fork lifts, buses, street cleaning vehicles, small passenger ships and UPS systems whilst utilising a fraction of the space required by equivalent battery-only based systems.

Since Proton's admission to AIM in October 2006, the Group has continued to develop its fuel cell technology and has accessed a broad range of end user markets through partnerships with leading original equipment manufacturers such as Skoda Electric and Karmann.

On 29 August 2008, the Company announced the world's first fuel cell driven inland waterway passenger ship in the class up to 100 passengers for the city of Hamburg and announced on 15 September 2008 that its PM200 fuel cell module had received certification by TÜV SÜD, the German testing and inspection organisation, that will allow it to be produced through an automated process.

In the Company's interim results statement issued on 25 September 2008, the Directors indicated that they had decided to refocus the Company's strategy on fuel cell based solutions for stationary power supplies. The Directors believe this to be a market with a high volume demand for solutions with long back up times which can be tapped by standardised products. The Directors believe that fuel cell based products can provide an optimised solution for such applications in the information technology and telecommunications markets. The Directors intend to base products for these markets on the Company's existing modular fuel cell designs.

Following the receipt of the TÜV SÜD certification referred to above, the Group plans before the year end to initiate the industrialised production of fuel cells as well as complete systems. As a result, the Company will change its organisation structure and adjust its internal processes to allow a smooth start of a professional manufacturing line.

### *Funding requirement implications*

In order to implement these two significant changes to its strategy and organisation which are expected to lead to an acceleration of the Company's business plan towards profitability and positive cash generation, the Directors believe that the Group needs additional funding.

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<sup>1</sup> Including the Initial Subscription Shares allotted to Roundstone Properties

The Directors expect that the net proceeds of the Subscription and the issue of the Turquoise Shares will be used to:

- fund the Group's move into the stationary UPS sector;
- commence industrialised production; and
- fund the anticipated working capital requirements of the Group.

### **3. Details of the Subscription**

The Company expects to raise approximately £2 million through the issue of the Subscription Shares at the Subscription Price, of which £1 million has already been received for the Initial Subscription Shares. The Subscription Price represents a premium of 33.3 per cent. to the closing middle market price of 7.5 pence on 24 September 2008, being the last dealing day prior to the announcement of the Subscription. The Subscription Shares (assuming that the Second Subscription Shares are subscribed for by Roundstone Properties) will represent approximately 24.4 per cent. of the Company's Enlarged Share Capital.

#### ***Admission and dealings***

The Company expects to make application to the London Stock Exchange for the Second Subscription Shares to be admitted to trading on AIM by around the end of January 2009, although at this point in time it is not possible to state with certainty when this application will be made. The Second Subscription Shares will, when issued, rank *pari passu* in all respects with the existing issued Ordinary Shares, including the right to receive any dividends and other distributions declared following Admission.

### **4. The City Code**

Proton is a public limited company registered in England and Wales; however, as the Company does not have its central place of management and control in the UK, the City Code does not apply to the Company. Shareholders should note that following allotment of the Second Subscription Shares, Roundstone Properties, which currently holds approximately 39.2 per cent. of the Company's issued share capital, will hold 38,000,000 Ordinary Shares, representing approximately 46.3 per cent. of the Company's Enlarged Share Capital, but will not be obliged to make an offer for the balance of the Company's issued and to be issued Ordinary Shares.

As a result of its holding, Roundstone Properties, which is a company connected to Dr. Faiz Nahab, a non-executive Director of the Company, will effectively control Proton and might acquire further Ordinary Shares without being required to make an offer to all Shareholders as it would have to do if the Company was subject to the City Code. As a result of the resolutions passed at the annual general meeting held on 22 July 2008, following allotment of the Second Subscription Shares, Roundstone Properties will have the right to appoint three further permanent members to the Board, in addition to Thomas Melczer and Dr. Faiz Nahab.

### **5. Related party transaction**

As announced on 25 September 2008, it is intended that the Second Subscription Shares will be subscribed for by Roundstone Properties at the Subscription Price and the Initial Subscription Shares have been subscribed for at the same price. Roundstone Properties is a company connected with Dr Faiz Nahab, a non-executive Director of the Company, and is also a substantial shareholder (as defined in the AIM Rules) of the Company. The issue of the Subscription Shares to Roundstone Properties is classified as a transaction with a related party for the purposes of the AIM Rules. In accordance, therefore, with the AIM Rules, the Independent Directors, having consulted with the Company's nominated adviser, Arbuthnot, consider that the terms of the transaction (namely the intended subscription by Roundstone Properties for the Subscription Shares at the Subscription Price) are fair and reasonable insofar as the Company's Shareholders are concerned.

### **6. Additional issue of shares to Turquoise International Limited**

As announced on 6 October 2008, it has been agreed that the Company should issue 600,000 Ordinary Shares at the Subscription Price to Turquoise. Ali Naini, one of the directors of the Company, is Managing

Director and a major shareholder in Turquoise. This allotment is subject to the passing of resolutions numbered 2 and 4 at the General Meeting, which will give the necessary authorities to the issue of the Turquoise Shares.

The Company proposes to make application to the London Stock Exchange for the Turquoise Shares to be admitted to trading on AIM. If resolutions 2 and 4 are duly passed, the Turquoise Shares are expected to be admitted to AIM on 6 November 2008.

Following this transaction, Turquoise will have a direct interest in 775,000 Ordinary Shares, representing approximately 1.1 per cent. of the Company's issued share capital immediately following admission to trading on AIM of the Turquoise Shares becoming effective.

In addition, Turquoise Capital LLP, of which Ali Naini is a member, has a direct interest in 792,739 Ordinary Shares, which will represent approximately 1.1 per cent. of Company's issued share capital immediately following admission to trading on AIM of the Turquoise Shares becoming effective. Ali Naini controls the voting rights over 505,409 of the Ordinary Shares held by Turquoise Capital LLP.

Ali Naini therefore will, after admission to trading on AIM of the Turquoise Shares becoming effective, control the voting rights over an aggregate of 1,280,409 Ordinary Shares representing approximately 1.8 per cent. of the then issued share capital.

In addition, Ali Naini holds options over 500,000 Ordinary Shares. He also has, by way of a contract for difference, an economic interest in 63,233 Ordinary Shares, which will represent approximately 0.1 per cent. of the Company's issued share capital immediately following admission to trading on AIM of the Turquoise Shares becoming effective.

## **7. Other matters to be considered at the General Meeting**

The Directors also intend to use the opportunity of the General Meeting to update the Company's Articles of Association to bring them in line with the Companies Act 2006. Further information on the proposed changes is set out in the appendix to this letter.

## **8. General Meeting**

You will find set out at the end of this document a notice convening the General Meeting to be held at the offices of Arbuthnot Securities Limited, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR at 12.00 noon on 5 November 2008.

Set out below is an explanation of the Resolutions to be proposed at the General Meeting:

### ***Subscription***

The Directors do not have the requisite authority under the Act to allot the Second Subscription Shares. Accordingly, Resolution 5 seeks the approval of Shareholders to authorise the Directors in respect of the allotment of the Second Subscription Shares.

### ***Turquoise Shares***

Resolution 2 will be proposed as an ordinary resolution to authorise the Directors pursuant to section 80 of the Act to allot relevant securities generally up to an aggregate nominal amount of £30,000, which represents approximately 0.7 per cent. of the Enlarged Share Capital. This is to authorise the Directors to allot the Turquoise Shares pursuant to the agreement between the Company and Turquoise announced on 6 October 2008. This authority will expire on 5 February 2009.

Resolution 4 will be proposed as a special resolution to empower the Directors pursuant to section 95 of the Act to allot equity securities up to an aggregate nominal value of £30,000 otherwise than on a *pro rata* basis. This is to empower the Directors to allot the Turquoise Shares to Turquoise without having to offer them first to existing shareholders on a pre-emptive basis.



### ***General Share Issuance Authorities and Increase of Share Capital***

In addition, the Directors are seeking general authorities to issue shares and/or other securities.

Resolution 1 will be proposed to increase the authorised share capital of the Company by £1,000,000 to £5,600,000 to provide headroom for the future issue of shares.

Resolution 3 will be proposed as an ordinary resolution to authorise the Directors pursuant to section 80 of the Act to allot relevant securities generally up to an aggregate nominal amount of £970,000 or (in the event that Resolution 2 is not passed) £1,000,000. This authority will expire on the earlier of 15 months after the passing of the resolution or on the conclusion of the next Annual General Meeting of the Company. Following the issue of the Turquoise Shares and the Second Subscription Shares there will remain authorities under section 80 of the Act over approximately 26.8 per cent. of the authorised share capital of the Company (36.6 per cent. of the Enlarged Share Capital).

Resolution 6 will be proposed as a special resolution to empower the Directors pursuant to section 95 of the Act to allot equity securities for cash otherwise than on a *pro rata* basis: (i) where a *pro rata* offer has effectively been made, but subject to exclusions or arrangements to avoid logistical, regulatory or legal issues; and (ii) generally up to an aggregate nominal amount of £1,000,000 which represents approximately 24.4 per cent. of the Enlarged Share Capital. This authority will expire on the earlier of 15 months after the passing of the resolution or on the conclusion of the next Annual General Meeting of the Company.

### ***Update of Company's Articles of Association***

Resolution 7 is a special resolution which proposes the adoption of updated articles of association. The appendix to this letter summarises the principal proposed changes.

## **9. Action to be taken**

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are requested to complete the Form of Proxy and to return it to the Company's Registrars, Capita Registrars, Proxy Department, P.O. Box 25, Beckenham, Kent BR3 4BR by not later than 12.00 noon on 3 November 2008. Unless the Form of Proxy is received by this date and time, it will be invalid. The completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person if you so wish.

## **10. Recommendation**

**The Independent Directors consider the Subscription and the Resolutions (other than resolutions 2 and 4) to be in the best interests of the Company and the Shareholders as a whole. Consequently, the Independent Directors unanimously recommend that Shareholders vote in favour of all of the Resolutions (other than resolutions 2 and 4) to be proposed at the General Meeting as they intend to do or procure to be done in respect of their own beneficial holdings of Ordinary Shares, which in aggregate amount to 1,080,409 Ordinary Shares representing 1.5 per cent. of the Company's current issued share capital.**

**The Directors (other than Ali Naini) consider resolutions 2 and 4, which contain the authorities necessary to allot the Turquoise Shares, to be in the best interests of the Company and the Shareholders as a whole. Consequently, the Directors (other than Ali Naini) unanimously recommend that Shareholders vote in favour of resolutions 2 and 4 at the General Meeting, as they intend to do or procure to be done in respect of their own beneficial holdings of Ordinary Shares which in aggregate amount to 28,400,000 Ordinary Shares representing approximately 39.8 per cent. of the Company's current issued share capital.**

Yours faithfully,

**John Wall**  
*Executive Chairman*

# PROTON POWER SYSTEMS PLC

*(Incorporated and registered in England and Wales with registered number 05700614)*

## NOTICE OF GENERAL MEETING

Notice is hereby given that a GENERAL MEETING of the Company will be held at the offices of Arbuthnot Securities Limited, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR on 5 November 2008 at 12.00 noon to consider and, if thought fit, pass the following resolutions of which Resolutions 1, 2 and 3 will be proposed as ordinary resolutions and of which Resolutions 4, 5, 6 and 7 will be proposed as special resolutions:

### Ordinary Resolutions

1. That the share capital of the Company be increased from £4,600,000 to £5,600,000 by the creation of 20,000,000 ordinary shares of 5p each.
2. That, in addition to the authority granted to the directors pursuant to an ordinary resolution passed at the Annual General Meeting of the Company held on 22 July 2008, and subject to the passing of resolution numbered 1 in the notice convening this meeting, the directors be generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) during the period from the date of the passing of this resolution numbered 2 until 5 February 2009 up to a maximum nominal amount of £30,000 provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.
3. That, in addition to the authorities granted to the directors pursuant to the resolution numbered 2 in the notice convening this meeting and pursuant to an ordinary resolution passed at the Annual General Meeting of the Company held on 22 July 2008, and subject to the passing of resolution numbered 1 in the notice convening this meeting, the directors be generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £970,000, or (in the event that the resolution numbered 2 in the notice convening this meeting is not passed) £1,000,000, provided that:
  - 3.1. (except as provided below) this authority shall expire on the conclusion of the next annual General Meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is earlier), but may be previously revoked or varied by an ordinary resolution of the Company; and
  - 3.2. the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

### Special Resolutions

4. That, subject to the passing of and pursuant to the general authority conferred by the resolution numbered 2 in the notice convening this meeting, the directors of the Company be and they are hereby generally empowered pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority so conferred or where the equity securities are held by the Company as qualifying shares (to which sections 162A to 162G of the Act apply), in each case as if section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities up to an aggregate nominal amount of £30,000 and this power (unless

previously renewed, varied or revoked) shall expire on 5 February 2009, but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

5. That, subject to the passing of and pursuant to the general authorities conferred by the resolution numbered 3 in the notice convening this meeting and by an ordinary resolution passed at the Annual General Meeting of the Company held on 22 July 2008, the directors of the Company be and they are hereby generally empowered pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority so conferred or where the equity securities are held by the Company as qualifying shares (to which sections 162A to 162G of the Act apply), in each case as if section 89(1) of the Act did not apply to any such allotment, provided that the power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £500,000 and this power (unless previously renewed, varied or revoked) shall expire at the end of the next annual General Meeting of the Company to be held after the date of the passing of this resolution or fifteen months from the date of the passing of this resolution, whichever is the earlier but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired.
6. That, subject to the passing of and pursuant to the general authorities conferred by the resolution numbered 3 in the notice convening this meeting and by an ordinary resolution passed at the Annual General Meeting of the Company held on 22 July 2008, the directors of the Company be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority so conferred or where the equity securities are held by the Company as qualifying shares (to which sections 162A to 162G of the Act apply), in each case as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - 6.1. the allotment of equity securities in connection with any rights issue, open offer or other pre-emptive offer to holders of ordinary shares in the Company and other persons entitled to participate therein in proportion (as nearly as may be practicable) to the shareholdings of such members (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold), but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
  - 6.2. otherwise than pursuant to paragraph 6.1 above, the allotment of equity securities up to an aggregate nominal amount of £1,000,000

and shall expire on the conclusion of the next annual General Meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is earlier) except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

7. That the articles of association in the form laid before the meeting and initialled by the Chairman of the meeting be and hereby are adopted as the articles of association of the Company, in substitution for the existing articles of association of the Company.

Dated: 13 October 2008

*Registered Office:*

St Ann's Wharf  
112 Quayside  
Newcastle upon Tyne  
NE99 1SB

By order of the Board:

John Wall  
*Company Secretary and Executive Chairman*

*Notes:*

1. A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. To be valid a duly executed instrument of proxy (and any authority under which it is executed, or a copy of such authority certified notarially or in accordance with the Powers of Attorney Act 1971) must be deposited at the office of the Company's registrars, Capita Registrars, Proxy Department, P.O. Box 25, Beckenham, Kent BR3 4BR by not later than 12.00 noon on 3 November 2008.
3. A member of the Company wishing to appoint a proxy may use the form of proxy enclosed with this notice of General Meeting.
4. Completion, signature and submission of a form of proxy will not preclude a member of the Company entitled to attend and vote from attending and voting, in substitution for his/her proxy, should he/she so wish.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 6.00 p.m. on 3 November 2008 or, in the event that the meeting is adjourned, on the Register of Members of the Company as at 6.00 p.m. on the second day immediately preceding the day of the adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. on 3 November 2008 or, in the event that the meeting is adjourned, after 6.00 p.m. on the second day immediately preceding the day of the adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

## **APPENDIX**

Summary of the principal changes being made in the new articles of association proposed to be adopted for the Company (the “New Articles”) to take account of changes made by the Companies Act 2006 (the “2006 Act”)

### **Transfer of shares**

The 2006 Act provides that the directors cannot refuse to give a reason when refusing to register a transfer of shares. The old articles permitted the directors to refuse to register a transfer without giving a reason. This has been removed from the New Articles.

### **Disclosure of interests**

The provisions requiring disclosure of interests and imposing restrictions on shares in the absence of the required information have been updated to reflect the provisions of section 793 of the 2006 Act.

### **Proxies**

The 2006 Act gives proxies the right to speak, vote and demand a poll at general meetings – these rights are mandatory and cannot be excluded or restricted by articles of association. The New Articles have therefore been drafted accordingly to reflect the rights of proxies.

### **Directors’ conflicts**

The 2006 Act contains statutory duties on directors to avoid actual and potential conflicts of interest. A director complies with this duty if the area of conflict is authorised by the other directors. However, authorisation by the directors is only valid if this procedure is permitted by the Company’s articles of association. This procedure has therefore been included in the New Articles. The relevant director may not be counted in any quorum, nor shall his vote count, when the authorisation is being determined by the Board. The Board may impose limits or conditions on any authorisation.

### **Execution of documents**

The New Articles allow the Company to execute documents as a deed by the signature of one director provided that such signature is witnessed, as permitted under the 2006 Act. Previously two directors or a director and the company secretary were required to sign a document as a deed on behalf of the Company.

### **Electronic communications**

The 2006 Act allows a company to communicate with its shareholders in electronic form or by its website so long as shareholders have agreed that the document may be sent in that manner. The New Articles give the Company the right to use these electronic communication procedures in the future.

### **Indemnities**

The 2006 Act allows a company to indemnify its directors provided that it is a qualifying third party indemnity provision within the meaning of the 2006 Act or in the case of a trustee of an occupational pension scheme and to fund defence costs. The New Articles reflect these changes.

### **Miscellaneous**

All references to the Companies Act 1985 which have been replaced by the 2006 Act have been updated in the New Articles. As the 2006 Act removed the concept of an extraordinary resolution and stock, reference to such resolutions and stock have been deleted. Similarly references to extraordinary general meetings have been changed to general meetings. To reflect the changes made by the 2006 Act, the chairman of the company will no longer have a casting vote at general meetings.

# ADMISSION CARD PROTON POWER SYSTEMS PLC – GENERAL MEETING

(registered in England and Wales No. 05700614) ("Proton" or the "Company")

For use by shareholders at the General Meeting of the Company to be held at the offices of Arbutnot Securities Limited, Arbutnot House, 20 Ropemaker Street, London EC2Y 9AR on 5 November 2008 at 12.00 noon (the "Meeting").

If you come to the Meeting please bring this card with you.

Signature of person attending

Barcode

Investor Code

## NOTES:

1. A shareholder of the Company entitled to attend and vote at the general meeting may appoint one or more proxies to attend and vote instead of him/her. A proxy need not also be a shareholder of the Company, but must attend the meeting in person to represent you.
2. If you wish to appoint as a proxy a person other than the Chairman of the Meeting, please delete the words "the Chairman of the Meeting" and insert the full name of the other person and initial the alteration.
3. The completion and return of this Form of Proxy will not prevent you from attending in person and voting at the Meeting should you subsequently decide to do so.
4. A shareholder may appoint more than one proxy to attend. When two or more valid but differing instruments of proxy are delivered in respect of the same share for use at the same meeting and in respect of the same matter, the one which is lastly delivered (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which instrument was lastly delivered, none of them shall be treated as valid in respect of that share.
5. If you wish your proxy to cast all of your votes for or against a resolution you should insert an "X" in the appropriate box. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on the specified resolutions and, unless instructed otherwise, may also vote or abstain from voting as he or she thinks fit on any other business (including on a motion to amend a resolution, to propose a new resolution or to adjourn the Meeting) which may properly come before the Meeting. The "vote withheld" option is provided to enable you to abstain on any particular resolution; however, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of votes "for" and "against" a resolution.
6. This Form of Proxy must be signed by the shareholder or his/her attorney. Where the shareholder is a corporation, the signature must be under seal or signed by a duly authorised representative. In the case of joint shareholders, any one shareholder may sign this Form of Proxy. The vote of the senior joint shareholder (whether in person or by proxy) will be taken to the exclusion of all others, seniority being determined by the order in which the names stand in the register of members in respect of the joint shareholding.
7. To be valid, the Form of Proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy or office copy of such power or authority, must be lodged at Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
8. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 6.00 pm on 3 November 2008 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 6.00 pm two days before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.
9. Any alteration to this form should be initialled.

## FORM OF PROXY FOR PROTON POWER SYSTEMS PLC GENERAL MEETING

to be held at the offices of Arbutnot Securities Limited, Arbutnot House, 20 Ropemaker Street, London EC2Y 9AR on 5 November 2008 at 12.00 noon (the "Meeting").

Bar Code

Investor Code

I/We being (a) shareholder(s) of the Company hereby appoint the Chairman of the Meeting (see note 2).

Event Code

as my/our proxy to attend and, on a poll, to vote for me/us on my/our behalf at the Meeting (and at any adjournment thereof).

I/We direct my/our proxy to vote on the resolution set out in the notice calling the Meeting as indicated below:

### RESOLUTIONS

Please indicate with an "X" in the appropriate box opposite the resolution how you wish your votes to be cast (see Note 5). If no voting indication is given, your proxy may vote or abstain as he or she thinks fit in relation to any business of the meeting.

Please also tick here if you are appointing more than one proxy.

|  | For                                 | Against                             | Vote Withheld                       |   | For                                 | Against                             | Vote Withheld                       |
|--|-------------------------------------|-------------------------------------|-------------------------------------|---|-------------------------------------|-------------------------------------|-------------------------------------|
| 1. Ordinary Resolution to increase the authorised share capital of the Company from £4,600,000 to £5,600,000.  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 4. Special Resolution to disapply statutory pre-emption rights in relation to shares up to an aggregate nominal amount of £30,000.    | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. Ordinary Resolution to authorise the Directors pursuant to section 80 of the Companies Act 1985 to allot shares up to an aggregate nominal amount of £30,000.   | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 5. Special Resolution to disapply statutory pre-emption rights in relation to shares up to an aggregate nominal amount of £500,000.   | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3. Ordinary Resolution to authorise the Directors pursuant to section 80 of the Companies Act 1985 to allot shares up to an aggregate nominal amount of £970,000 or (in the event the resolution numbered 2 in the notice convening the Meeting is not passed) £1,000,000. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 6. Special Resolution to disapply statutory pre-emption rights in relation to shares up to an aggregate nominal amount of £1,000,000. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
|  |                                     |                                     |                                     | 7. Special Resolution to adopt new articles of association of the Company.  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

(Full details of the resolutions are set out in the Notice of General Meeting accompanying this form).

To assist with arrangements, if you intend attending the meeting in person please place a 'X' in the box opposite

Signature(s) (See Note 6)

Date

Business Reply  
Licence Number  
MB122



Capita Registrars  
Proxy Department  
P.O. Box 25  
Beckenham  
Kent BR3 4BR